

R.I.T.E.S., INC.

Financial Statements

For the Year Ended December 31, 2006

VanTienderen, Carter & Bolander, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**6802 South 1300 East
Salt Lake City, Utah 84121**

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Henry VanTienderen
henry@vcb-cpa.com
James E. Carter
jim@vcb-cpa.com
Bryan C. Bolander
bryan@vcb-cpa.com

VanTienderen, Carter & Bolander, P.C.

6802 South 1300 East
Salt Lake City, UT 84121
Tele: (801) 561-8685 Fax: (801) 561-8693

Members of
American Institute of
Certified Public Accountants
Utah Association of
Certified Public Accountants

To the Board of Directors of
R.I.T.E.S., Inc.

We have reviewed the accompanying statement of financial position of R.I.T.E.S., Inc. (a nonprofit organization) as of December 31, 2006, and the related statements of activities, functional expenses, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of R.I.T.E.S., Inc.

A review consists principally of inquiries of Organization personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

VanTienderen, Carter & Bolander, P.C.

August 21, 2007

R.I.T.E.S., Inc.
Statement of Financial Position
December 31, 2006

ASSETS

Current assets:

Cash	\$ 2,998
Accounts receivable	<u>33,145</u>

Total current assets	36,143
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Property and equipment, net of accumulated depreciation of \$1,472	<u>2,829</u>
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TOTAL ASSETS	<u>\$ 38,972</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 2,668
Accrued payroll and payroll taxes	<u>40,466</u>

TOTAL LIABILITIES	<u>43,134</u>
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NET ASSETS

Unrestricted net assets (deficit)	(8,255)
Temporarily restricted net assets	<u>4,093</u>

TOTAL NET ASSETS	<u>(4,162)</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 38,972</u>
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See accountants' review report and accompanying notes to financial statements.

R.I.T.E.S., Inc.
Statement of Activities
For the Year Ended December 31, 2006

UNRESTRICTED NET ASSETS

Unrestricted revenues-	
Program service revenues	\$ 322,875
Contributions and other	<u>2,616</u>

TOTAL UNRESTRICTED REVENUES	325,491
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Net assets released from restrictions	
Restrictions satisfied by payments	907

TOTAL UNRESTRICTED REVENUES AND OTHER SUPPORT	<u>326,398</u>
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Expenses-	
Program service expenses	228,815
Management and general	<u>89,380</u>

TOTAL EXPENSES	<u>318,195</u>
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INCREASE IN UNRESTRICTED NET ASSETS	<u>8,203</u>
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TEMPORARILY RESTRICTED NET ASSETS

Contributions	
CTAT grant	5,000
Net assets released from restrictions	
Restrictions satisfied by payments	<u>(907)</u>

INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	<u>4,093</u>
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INCREASE IN NET ASSETS	12,296
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NET ASSETS (DEFICIT) BEGINNING OF YEAR	<u>(16,458)</u>
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NET ASSETS (DEFICIT) END OF YEAR	<u><u>\$ (4,162)</u></u>
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See accountants' review report and accompanying notes to financial statements.

R.I.T.E.S., Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2006

EXPENSES:	<u>Program Service Expenses</u>	<u>Management and General</u>	<u>Total Expenses</u>
Wages	\$ 155,560	\$ 59,150	\$ 214,710
Rent	18,261	6,087	24,348
Taxes	12,936	4,961	17,897
Program expenses	23,659	-	23,659
Insurance	-	7,361	7,361
Telephone	1,987	1,988	3,975
Utilities	2,149	716	2,865
Interest	2,886	1,104	3,990
Depreciation	400	521	921
Other	<u>10,977</u>	<u>7,492</u>	<u>18,469</u>
TOTAL EXPENSES	<u>\$ 228,815</u>	<u>\$ 89,380</u>	<u>\$ 318,195</u>

See accountants' review report and accompanying notes to financial statements.

R.I.T.E.S., Inc.
Statement of Cash Flows
For the Year Ended December 31, 2006

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:

Change in net assets	\$ 12,296
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	921
Loss on disposal of equipment	200
(Increase) in accounts receivable	(11,755)
Decrease in other current assets	136
Increase in accounts payable	726
(Decrease) in accrued liabilities	<u>(348)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 2,176

CASH FLOWS PROVIDED BY INVESTING ACTIVITIES:

Purchase of equipment	<u>(300)</u>
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NET CASH (USED) BY INVESTING ACTIVITIES (300)

NET INCREASE IN CASH AND CASH EQUIVALENTS 1,876

CASH AND CASH EQUIVALENTS – DECEMBER 31, 2005 1,122

CASH AND CASH EQUIVALENTS – DECEMBER 31, 2006 \$ 2,998

See accountants' review report and accompanying notes to financial statements.

R.I.T.E.S., Inc.
Notes to Financial Statements

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

R.I.T.E.S., Inc. (the Organization) is a nonprofit corporation organized under the laws of the State of Utah. The purpose for which the Corporation was formed is to provide training and education to people with disabilities to help improve their quality of life. Substantially all of the Organization's revenues are for program services provided to the State of Utah Department of Human Services.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Revenues received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. Revenues are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Office Equipment and Furniture

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair market value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as restricted contributions. Property and equipment is depreciated using the straight-line method over its useful life, which ranges from five to seven years.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and classified by the Internal Revenue Code as other than a private foundation.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - DESCRIPTION OF LEASING ARRANGEMENTS

As of December 31, 2006, the Organization had one lease for office space. The lease was for \$700 per month and expired in July 2007. Starting July 1 2007, the Organization entered into a lease agreement for one year for \$850 per month.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Automotive equipment	\$ 2,000
Office equipment	500
Office furniture and fixtures	<u>1,800</u>
Subtotal	4,300
Accumulated depreciation	<u>(1,471)</u>
Net property and equipment	<u>\$ 2,829</u>

Depreciation expense for the year ended December 31, 2006, was \$921.

NOTE D - RESTRICTIONS ON NET ASSETS

During the year ended December 31, 2006, the Organization received \$5,000 of temporarily restricted contributions, of which \$907 was released from restrictions during 2006, and the Organization had no permanently restricted net assets as of December 31, 2006. All of the temporary restrictions on net assets at December 31, 2006, related to funds donated by Creative Training Accelerating Talent for the production of a training video to be used to demonstrate to potential employers the benefits of the training that the Organization provides to people with disabilities and how they can then benefit from hiring these individuals.